

## INTERNET BANKING

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**Market  
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**Latest Internet Banking Transaction growth of 18% fuels quarterly transaction volumes of 200 million and annual growth of 700 million plus. Annual Consumer cheque transactions struggle to reach 600 million**

**FINAL RELEASE**

**Press Embargoed for Midnight February 14 2005**

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## **Latest Internet Banking Transaction Growth of 18% Fuels Quarterly Transaction Volumes of 200 Million and Annual Growth of 700 Million Plus. Annual Consumer Cheque Transactions Struggle to Reach 600 Million.**

These results emanate from the just released September 2004 bank-sponsored, MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility. The data collected and pooled is submitted by most of Australia's leading Internet Bankers including pool members like NAB, Commonwealth, Suncorp, Westpac, BankWest and Bendigo with special assistance from Citibank, and Bank Of Queensland. The pool of contributing bank members now accounts for approximately 81% of all Bank Internet customers.

Just two years ago the Australian Internet Banking community recorded some 82 million transactions in just a quarter. The latest quarterly measures released today show Australian's Internet Banking activity is fast approaching quarterly transaction levels of 200 million. This represents a 130% growth in just 2 years. By comparison the growth of logins to Internet Banking sites for the same period (once considered a proxy measure of uptake or activity) grew by just 73%. On behalf of its bank pool members, MISC (Market Intelligence Strategy Centre) says that by the end of 2004 (i.e. Calendar 2004) transactions will exceed 700 million. MISC points out that this level of annual transaction activity compares to the 543.5 million cheques issued by consumers in the same period. In the latest quarter an 18% gain was posted by the industry. Such recent user transaction change suggests that the growth of this new banking channel is continuing despite the slowing of new user uptake and is especially buoyed by improving transaction activity, which grows regardless of login frequency. MISC (Market Intelligence Strategy Centre) says that Internet Banking is now well established as part of a repertoire of banking channels used by all Australians. These include IVR (phone banking), branch banking, ATM banking and now Internet banking. The results emanate from the banks latest September quarterly statistical data collection of Internet Banking use.

An increase in the use of these services has occurred while Banks continue to strive to make their Internet Banking services safer by the introduction of security tokens, dynamic pin pads, SMS alerts notifying customers about transactions occurring to their accounts and more sophisticated protection systems plus more user-friendly and time efficient processes via improved speed and accessibility. While security has been enhanced by the use of security token authentication and SMS password messaging, usability has been greatly enhanced by automated systems, which eliminate repetitions of tasks. In business applications for instance some banks have introduced multiple payment systems, others have introduced new looks and feels which also add to improving usability. Ongoing improvements in functionality have expanded the range of banking activities that can now be performed. New additional functions introduced over the past year include Currency Exchange transactions, "Read Only" access to specific accounts, giving accounts nicknames, tax and interest information, Bpay functionality has been enhanced and finally SMS payment authentication is being piloted. The net effect is that Internet banking now provides a fully electronic option for almost all banking transactions.



New transaction banking functions that have been added in the last year include: automated pre set payments, pay anyone in Australia and pay anyone overseas facilities, plus Biller listings and Bill presentment capability. Additional early innovations from some of the major banks, e.g. downloads into accounting software (MYOB) have also now been recently adopted by the newer Internet banks.

<b>IB users make nearly 200 million transactions in one quarter</b>			
<b>September Quarter results (millions)</b>	<b>September Quarter 2002</b>	<b>September Quarter 2004</b>	<b>Quarter Growth</b>
Number of Internet Banking Transactions	82.0	191.0	130.0%
Number of Internet Banking Logons	62.8	109.3	70.0%
			Annual Growth
<b>Annual Measures (millions)</b>	<b>Year end September 2002</b>	<b>Year End September 2004</b>	
Number of Internet Banking Transactions	328.94	668.49	103%
Number of Personal Cheques Issued #	649.7	543.6	-16%
			Dec 04 Year End
<b>Forecast Internet Banking Transactions</b>		<b>700 million</b>	
<b>Source:</b> #Customer Personal Cheques issued by Cheque account holders including cash cheques Pre May 2002 APCA Monthly Average Post May 2002 Reserve Bank Monthly series Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility September Qtr 2002/2004 IB - Internet Banking			

MISC Australia (Market Intelligence Strategy Centre), on behalf of Australia’s major and regional Banks, announced these results for the September quarter Internet banking collection today. This reflects well on the now established and entrenched Internet banking behaviours for much of the banking community. It will increasingly be the active user growth, not new registrations that will drive electronic banking in its next phase.



## Changing functionality impacts on 700 million transactions (selected examples)

<i>Timing of Change (&lt; March 2004)</i>	<i>Bank</i>	<i>Relevant Functionality Change</i>
March quarter	National Australia Bank	New Payment scheduling Credit Card clearance
March quarter	Bendigo	Increased the number of Linked Customers and Accounts displayed under one Access ID
March quarter	National Australia Bank	Enhanced Payroll functionality for business
March quarter	BankWest	Enhanced B Pay
March quarter	Bendigo	Introduced "Authorise All" functionality for multiple signatory accounts
March quarter	St George	SMS alerts - notification for general accounts
March quarter	Suncorp	High interest deposit account Everyday Options account
March quarter	Bendigo	'Read Only' access to specific accounts
March quarter	Bendigo	Provide Interest & Charges info summarized by tax year
June quarter	Citibank	Dynamic Pin pad
June quarter	Bendigo	Stage 1 Telegraphic Transfer
June quarter	St George	Credit card balance transfer facility
September quarter	Bendigo	Security tokens for Logon and Payments
September quarter	National	Increased Multi funds transfer offering Added tax and interest Information
December quarter	St George	Credit card activation
December quarter	Westpac	High Interest Deposit Account
December quarter	Westpac	Piloting SMS responses personal loan and credit card applications
December quarter	National Australia Bank	Piloting SMS Payment Authentication
December quarter	Bendigo	Telegraphic transfer (Phase 2 – Foreign Exchange Payments)
December quarter	Citibank	Major website redesign
December quarter	Westpac	Account nicknaming
December quarter	Westpac	Security Tokens
March quarter 05	BankWest	Account nicknames

Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility September Quarter 2004



## Further Background Notes to MISC Facility Service Development & Methodology

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These are findings from the MISC Internet Banking Data Pooling Facility collection for the 2003/ 2004 quarters. The latest report is the sixteenth so far produced by MISC on this dynamic sector of the Electronic Banking market and is based upon banks supplying quarterly detailed Internet banking transaction data adhering to a standard format and consistent definitions designed by MISC. The report is compiled exclusively for the use of the members of the facility, a unique collaborative service, developed by MISC together with Australia's leading Internet banking financial institutions.

These institutions regularly pool detailed statistics on their Internet banking service activity. This latest September 2004, reporting is augmented with extended analysis of on-line applications across a wide and increasing range of bank products including Home Loans, Personal Loans, Credit Cards and Insurance. Additional Pool members have commenced contribution to this extra database including more recently Suncorp. Extended online analysis is scheduled for the September quarter 2004 providing enhanced procurement measures to members.

Development of the facility by MISC was in response to the market's need to address the issue of widely conflicting market measures and the search for a definitive and regular measurement of Internet banking uptake. To date there has been much discussion regarding terms used to describe those who have been attributed as having 'experienced' an Internet banking service. The MISC Facility specifically classifies 'user' definitions to ensure consistent measurement. This has resulted in the more valuable measure of 'Active' users i.e. actually transacting in the previous quarter.

Essentially the exciting 'data Pooling' initiative determines the true uptake of Internet banking activity and importantly ensures that an independent facilitator acts as a conduit for the data collection, analysis and interpretation. The MISC-run facility determines not only the true size of the market but also delivers, for each participant, their individual confidential relative positions. To track the market's development, MISC coordinates 90-day data pooling measures to which all participants now confidentially contribute. The subsequent quarterly reports delivered by MISC provide the various pool participants with the opportunity to position and monitor performance. Critically, the research provides the data required to underpin accurate Internet banking site development i.e. access features and the level of service customer's desire.

For further information on this unique service please contact MISC Marketing.

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